

Before the Director/HOD (Market Supervision & Registration Department)
Securities Market Division
Securities and Exchange Commission of Pakistan

In the matter of Show Cause Notice dated May 19, 2014 issued to
Mr. Ruhail Ashraf Khan, Chief Executive Officer of M/s. Aurum Commodities (Pvt.)
Limited Member of Pakistan Mercantile Exchange Limited

Date of Hearing: May 26, 2014

Present at the Hearing: Mr. Ruhail Ashraf Khan

Representing (MSRD): (i) Mr. Hasnat Ahmad (Director – MSRD)
(ii) Mr. Murtaza Abbas (Deputy Director - MSRD)

ORDER

This Order shall dispose of the proceedings initiated through a Show Cause Notice No. 4/BRC-288/PMEX/SMD/2014 dated May 19, 2014 (“SCN”) issued to Mr. Ruhail Ashraf Khan, (“the Respondent”) Chief Executive Officer (“CEO”) of M/s. Aurum Commodities (Pvt.) Limited (“ACPL”) under Rule 12 (4) of the Commodity Exchange and Futures Contracts Rules, 2005 (“the Rules”).

2. Brief facts of the case are that ACPL is a Member of the Pakistan Mercantile Exchange Limited (“PMEX”). PMEX vide letter dated April 29, 2014 forwarded the application of ACPL for grant of certificate of registration as “broker” under the Rules. While reviewing the application it was observed that the Respondent who is also a major shareholder of ACPL submitted his work experience till December 2012 with M/s. Nayyar Sheikh Securities (Pvt.) Limited. However, it had come to the knowledge of the Commission that the Respondent has also worked as the Deputy CEO of M/s. Highlink Capital (Pvt.) Limited (“HCPL”). It is pertinent to mention here that HCPL was suspended by the Commission on February 17, 2014 due to non-settlement of investor complaints and subsequently expelled by Lahore Stock Exchange Limited.

3. Consequent to this apparent misrepresentation, the Commission issued a SCN to the Respondent, for providing false and misleading information to the Commission which *prima facie* leads to the violation of Rule 26 of the Rules.

4. Pursuant to the said SCN the Respondent appeared on May 26, 2014 for hearing and presented his case before the undersigned. During the hearing the Respondent asserted that he joined HCPL for a short period of 3 months, however, during this period neither any appointment letter nor any salary was given to him, therefore, he left HCPL. He further stated that in the absence of any appointment letter, he assumed that officially his work experience with HCPL will not be admissible and because of this very reason he did not mention the same. During the hearing the Respondent also agreed to provide his written comments within one week of the hearing, however, on his failure to provide the same, the Commission vide letter dated June 6, 2014 issued a reminder in this regard. In reply to the said letter the Respondent submitted his written reply vide letter dated June 12, 2014.

5. In his written comments, the Respondent stated that he never gave any false or incorrect information to the Commission and, therefore, Rule 26 is not applicable to the Respondent. In addition, he stated that while filing the application, the Respondent believed that he was not required to provide his entire business experience and five years experience in relevant field was suffice for the purpose. On the issue of his affiliation with HCPL, he stated that he got employment on probation in HCPL in January 2013 as Deputy CEO on monthly salary of Rs. 125,000/-, however, he was never granted any appointment letter from HCPL. He further asserted that HCPL neither paid him any salary nor he was authorized to handle any financial affair of HCPL. The job of the Respondent was only restricted to the administrative functions of HCPL i.e. sending emails to CEO for purchase of furniture, payment of utility bills, rent etc. without any financial control over these issues. The then CEO of HCPL Raja Asim kept delaying the repeated requests of the Respondent for the proper status in the company, however, the Respondent flabbergasted with the situation eventually left HCPL. The status of the Respondent in HCPL was merely an employee who was neither shareholder nor director and held no financial interest in the company. In the end the Respondent reiterated that the professional experience required for grant of registration is up to the mark and all other requisites and qualifications under the Rules are dully fulfilled. The omission or non-mentioning of the employment experience with HCPL was solely for the reason that the Respondent had no employment letter or other documentary evidence for the relevant experience in HCPL. The Respondent requested that merely non-mentioning of experience for bona fide reasons may not be made basis for denial of grant of license and accordingly M/s. Aurum Commodities (Pvt.) Limited be granted registration to initiate business.

6. I have examined the facts, evidences and documents on record, in addition to written and verbal submissions made on behalf of the Respondent. Looking into the facts of the case the following two issues were framed to decide the matter:-

- a) To verify that affiliation of the Respondent as deputy CEO of HCPL; and
- b) Reasons for not disclosing the same in the application.



7. As far as the first issue regarding affiliation of the Respondent as Deputy CEO of HCPL is concerned, it has been noted that the Respondent has admitted this fact in his written statement that he joined HCPL in January 2013 as deputy CEO on monthly salary of Rs. 125,000/-. This fact is further corroborated from the "Inter Branch Circular letter" dated August 28, 2013 issued by the CEO of HCPL which is reproduced here as under:

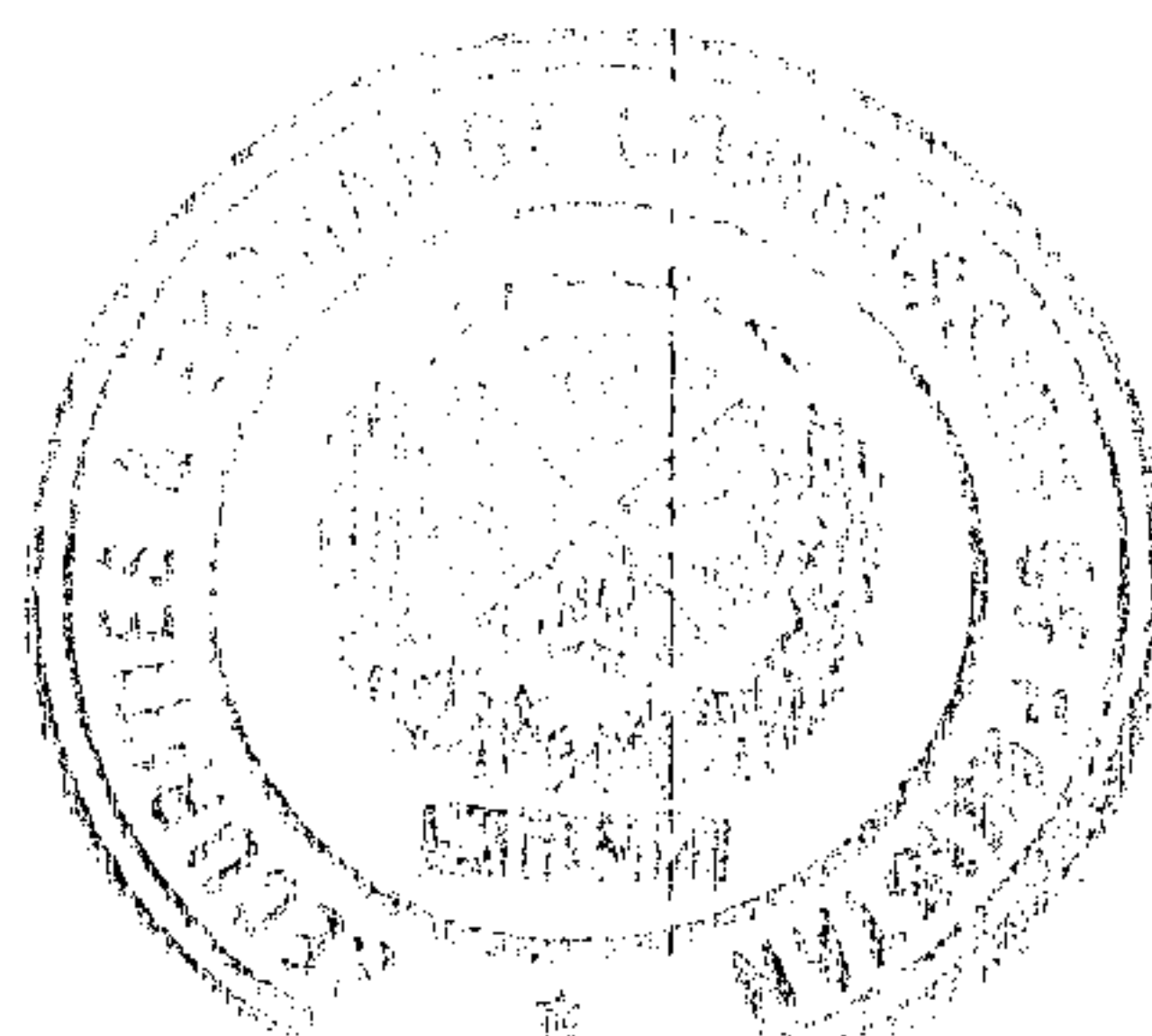
"All Branch managers and staff members are intimated that Mr. Ruhail Ashraf Khan who was working as Deputy CEO in our organization has been resigned from his services. Mr. Muhammad Ali Khan will work in place of Mr. Ruhail Ashraf Khan as Deputy CEO and he will also perform his assignment as Executive Director Sales."

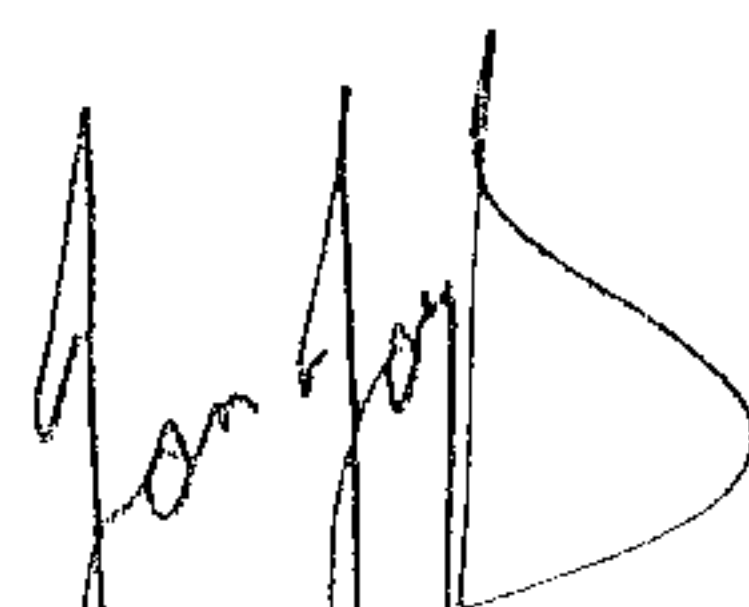
8. It is important to note here that the total working tenure of the Respondent with HCPL is approximately eight months (January 2013 – August 2013) as per his own written statement read with the Inter Branch Circular dated August 28, 2013. This fact is contrary to the verbal comments made by the Respondent during the hearing that he worked for HCPL for three months only.

9. As far as the second issue is concerned, it is important to note here that Respondent was Deputy CEO of HCPL which was later suspended by the Commission and an enquiry under Section 21 of the Securities and Exchange Ordinance, 1969 read with Section 29 of the Securities & Exchange Act, 1997 is also underway. In addition, National Accountability Bureau has also taken cognizance in the matter and the then CEO of HCPL is under their custody for investigation. The Respondent was fully aware of this fact and *prima facie*, non-disclosure of this material fact that he was working as Deputy CEO of HCPL raised serious concerns while examining the application of M/s. Aurum Commodities (Pvt.) Limited.

10. In view of the submissions and documents on record, I am of the considered opinion that granting certificate of registration to M/s. Aurum Commodities (Pvt.) Limited, will not be in the interest of the Commodities market since its CEO and major shareholder i.e. the Respondent was working as Deputy CEO of HCPL which defaulted in payment to its clients. As a result of this default, large number of investor's claims amounting to millions of rupees are still outstanding till date. Therefore, the application of M/s. Aurum Commodities (Pvt.) Limited for grant of certificate of registration as broker under the Rules is hereby rejected.

**Announced on July 10, 2014
Islamabad.**




(Imran Inayat Butt)
Director/HOD (MSRD)